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C O N F I D E N T I A L SEOUL 002335

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E.O. 12958: DECL: 12/05/2018  
TAGS: [PGOV](#) [PREL](#) [KS](#) [KN](#)  
SUBJECT: NATIONAL ASSEMBLY MEMBERS DISAGREE ABOUT  
SOUTH-NORTH RELATIONS

Classified By: POL M/C Joseph Y. Yun. Reasons 1.4(b/d)

¶1. (C) SUMMARY: Four National Assembly members evinced frustration with worsening South-North relations in separate December 2-3 meetings, but disagreed on the causes and possible solutions. They saw close coordination with the USG as crucial. All were pessimistic about KIC's future, though they stopped short of saying it would close:

-- Moon Kook-hyun, 2007 Presidential candidate and now National Assembly member (progressive Creative Korea Party) criticized President Lee Myung-bak's overall approach to North Korea, calling his offer of aid based on a request from the North an effort to "make North Korea kneel down." Moon saw recent DPRK restrictions on border crossings and the KIC as understandable, because the South had breached the 1992 Basic Agreement by allowing leafleting to continue.

-- Similarly, during a breakfast with the Ambassador, Democratic Party (DP) Chair Chung Se-kyun and Executive member of the Foreign Affairs Committee Moon Hak-jin railed against President Lee Myung-bak's attempts to "tame" North Korea and frequent changes in message on North Korea policy. The two took turns explaining how Lee had failed to construct a policy that was capable of improving relations with North Korea.

-- On the conservative side, Hwang Jin-ha (GNP, Executive Member of the Foreign Affairs and Unification Committee) told us that the fault lay with North Korea. It was a shame that both the Korean left and North Korea had rejected Lee's "Denuclearization, Openness, USD 3000" plan out of hand, because it was a sincere offer of dialogue and economic assistance, given progress on denuclearization. END SUMMARY.

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LEE'S INITIAL DPRK APPROACH...  
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¶2. (C) Our recent conversations with progressive and conservative members of the National Assembly showed that both camps are distressed at the state of South-North relations, but differ fundamentally on why relations have soured and on what to do about it.

¶3. (C) Progressive Moon Kook-hyun portrayed North Korea as the injured party. Asked about the current impasse over the KIC, he said one had to go back to President Lee's initial stance on North Korea, including during his presidential campaign (when Moon was a third-party candidate opposing Lee) to understand the latest developments. North Korea understandably took umbrage at each element of President Lee's approach to the North.

-- The insistence on reciprocity was specious because the North had already provided it by allowing over 1 million South Koreans to visit the North, unthinkable before engagement policy.

-- The "Denuclearization, Openness, USD 3000" pledge was "absurd" because South Koreans were not willing to pay huge costs to help North Korea raise its per capita income to that extent; the same reason that they shied away from contemplating unification. Furthermore, the nuclear issue was best left to the Six-Party Talks (which he said could lead to good results, but only over a long time horizon).

-- The bungling of the discussion of prior summit agreements was most unfortunate, because the June 2000 agreement had essentially already been implemented, and the October 2007 agreement would require detailed discussion over several years, where there was no risk involved in Lee showing respect for it.

-- Finally, the North had also understandably rejected Lee's demeaning call for it to "kneel down" by officially requesting economic aid before any would be provided. It was clear from the overall conversation with Moon that he saw continued unconditional assistance to the North as squarely in the South's interest.

14. (C) Democratic Party leaders Chung Se-kyun and Moon Hak-jin were equally critical of Lee's basic approach to North Korea during a December 2 meeting with the Ambassador. The DPRK had decided it could not work with the Lee

government for two reasons, Chung said: the North had not truly decided to denuclearize, so rejected Lee's slogan, and the DPRK did not feel they could trust Lee. Chung and Moon Hak-jin noted the dissonance Lee created by calling for dialogue but casting doubt on the previous summit agreements.

15. (C) Chung rejected what he called Lee's effort to "tame" North Korea, which was based on Lee's view that the DPRK had been "spoiled" over the past 10 years. Moon Hak-jin also took aim at Lee's statements at the November 2008 APEC Summit in Peru that he supported unification based on market principles and freedom. Of course, Moon granted, these principles are drawn from South Korea's Constitution, but there was no need to say such provocative things at this time unless the goal was to antagonize North Korea.

16. (C) In a separate December 3 meeting, conservative former ROK Army general Hwang Jin-ha provided the counterpoint. It was a shame that both North Korea and the South Korean left had rejected the "Denuclearization, Openness, USD 3000" plan out of hand, because it was a genuine "commitment" for "continuous support once there is progress on denuclearization." The emphasis on denuclearization, an internationally agreed priority, was appropriate. He noted that GNP Chairman Park Hee-tae had delivered a speech reinforcing the value of the "Denuclearization, Openness, USD 3000" plan the previous day.

17. (C) Rather than seeing North Korea as reacting to slights from the South, Hwang said instead that he sensed that the DPRK had begun fundamentally reappraising engagement policy this year, in part because the relatively moderate officials previously in charge of inter-Korean relations had been purged. As an example, he mentioned Deputy Director of the United Front Department Choe Song-chol (who was the first DPRK official to greet President Roh Moo-hyun when he walked across the Military Demarcation Line on October, 2, 2007). (Note: There has no official word that Choe or other DPRK officials responsible for inter-Korean relations have been replaced. END NOTE.) Though coming from a different direction, he agreed with Moon that ROKG-DPRK relations were essentially in an irreparable state, though noting somewhat defensively that "we never closed the dialogue channel."

18. (C) All four legislators saw recent developments at the KIC as the outgrowth of a year of antagonistic relations, but here again the progressive-vs.-conservative split as to why that was the case was evident.

19. (C) Hwang saw the DPRK's recent moves to restrict traffic and personnel going to the KIC as a preliminary result of the DPRK's review of whether to continue engagement. The issue had come to head now, he said, because the North had "severe anxiety" about allegations that Kim Jong-il was in ill health, seeing not only leaflets but also tourists to Kaesong City and personnel going to the KIC as carriers of such allegations. He said another reason for the restrictions was to create stress in the ROK which the DPRK hoped would lead to public protests against Lee, and he said the ROK should guard against this effort to exploit "South-South" differences of opinion. Returning to the issue of leafleting, Hwang acknowledged that continued leafleting was a problem, but said the ROKG had to be sensitive to NGOs made up of defectors or those with kidnapped family members. He said GNP Chairman Park was meeting leafleting groups on December 3 (a day when further leaflets were sent).

110. (C) Moon Kook-hyon, by contrast, saw the DPRK's cross-border restrictions as understandable because the ROK was violating the 1992 Basic Agreement (NOTE: "Article 3: The two sides shall not slander or villify each other." END NOTE) by allowing leafleting to continue. Moon said Lee had mistakenly assumed, in asking the DPRK to "kneel down" that the DPRK was so economically weak that it would have no alternative, but part of the message of the KIC restrictions was to say that the DPRK could live without the cashflow from the South. (Separately, Chung noted that the DPRK relies on trade and aid from South Korea for 20 percent of its economy, and that if that dependence were 50 percent, it would be much harder for the North to ignore the influence of South Korea.)

111. (C) Asked how KIC restrictions could reverberate among ROK businesses, Moon, former international manager for the Kimberly Clark Paper Company, said the KIC was a major issue for South's small-and-medium sized enterprises, which accounted for almost 90 percent of employment in the ROK. While it was true that only 88 companies were operating in the KIC, they relied on 2,700 suppliers and processed over USD 5 billion worth of materials to create about USD 1 billion in value-added. While uncertain about what would happen to the existing companies, Moon noted that buy orders were already declining and feared that expansion -- which was slated to result in 1,500 companies relying on 10,000 suppliers operating at the KIC by 2010 -- would grind to a halt.

112. (C) While not criticizing the DPRK politically, Moon said DPRK authorities were acting simplistically by thinking they could restrict KIC businesses without long-term negative effects. However, he lodged his main criticism at President Lee, saying that the benefits to the ROK from KIC far outweighed the approximately USD 100 million that the DPRK earned from it each year. (He noted that Kimberly Clark could save USD 20 million per year by relocating an operation now in China to the KIC.) Hence, the Lee Administration should have gotten off on the right foot by agreeing to fund and build dormitories at the KIC to signal the expansion would continue.

113. (C) In his conversation with the Ambassador, DP Chair Chung also argued for the Lee Administration to be more flexible with respect to KIC and engagement generally. Chung said that the DPRK was not a reasonable or even civilized country and therefore it made decisions regarding KIC that were not in the DPRK's long-term best interest. We should recognize the DPRK plays by a different set of rules and work on dialogue with them. The North does not think of ways to boost its economy or create jobs like a normal state, but

simply looks at how they can preserve their system. The ROKG should recognize the problems the DPRK has, understand that they are not reasonable and continue dealing with them, even yielding to their demands if necessary to keep dialogue going.

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COMMENT  
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¶14. (C) The fundamental difference in these legislators' approach to North Korea is familiar territory. Progressives have long argued that engagement needs to continue no matter what North Korea does, while conservatives argue that the last 10 years of engagement "progress" has been a mirage. That's a theological difference that can't be bridged. However, the areas of agreement during these conversations were troubling: none of the National Assembly members were optimistic about prospects for South-North dialogue, the future of the KIC, or achievement of a ROK consensus on what to do next.  
STEPHENS